Seet Chuan Seng & Anor v Tee Yih Jia Foods Manufacturing Pte Ltd

SUPREME COURT (KUALA LUMPUR) — CIVIL APPEAL NO 02-561-92
GUNN CHIT TUAN CJ (MALAYA), EUSOFF CHIN AND WAN YAHYA SCJJ
18 AND 19 MAY 1994

Trade Marks *— Passing off — Similar trade name, get-up and logo — Distinctiveness and likelihood of deception — Principles applicable in determining whether there was passing off*

Trade Marks *— Passing off — Goods in direct competition with each other — Whether damage to goodwill inferred — Whether passing off established*

Words and Phrases *— 'No restraint of trade or competition whatsoever' — Whether 'competition' meant 'unfair competition'*

Contract *— Construction of terms of contract — Not function of the court to improve on contract negotiated by parties themselves*

The first appellant and a few others, launched a very successful popiah skin business in Singapore in 1969, under the name Tee Yih Jia Po Piah Dried Pastry Factory (Pte) Ltd ('the respondent'). In 1980, the first appellant then sold all his shares in the respondent to Goi Seng Hui, the only other shareholder in the respondent at that time, and started a limited company in Malaysia ('the second appellant'), using the trade name, Tee Yih Jia Popiah Dried Pastry Factory (M) Sdn Bhd and using a logo similar to that used by the respondent.

The High Court judge found, inter alia, that there was passing off by the appellants by the use of: (1) the trade name 'Tee Yih Jia'; (2) a package get-up so identical to or closely resembling the respondent's package get-up; and (3) the 'swastika' logo appearing at the bottom left-hand corner of the get-up. The appellants have appealed.

The only issue was whether, in forming the second appellant and in carrying on a similar business using the same name, logo and get-up, the first appellant was guilty of passing off so as to warrant the court in granting, inter alia, an injunction to restrain the appellants from continuing the alleged acts of passing off and an order that the first appellant apply to the Registrar of Companies to have its corporate name amended by removing the words 'Tee Yih Jia'.

The appellants also contended that even if the elements of passing off had been established against them, the passing off was permissible under cl 5 of an agreement between the first appellant and Goi Seng Hui, the only other shareholder in the respondent which stated that there was 'no restraint of trade or competition whatsoever imposed' on the first appellant.

Held by the majority, dismissing the appeal (Eusoff Chin SCJ dissenting):

(1) In order to create a valid cause of action for passing off, there must be a misrepresentation made by a trader in the course of trade to prospective customers of his or ultimate consumers of goods or services supplied by him, which was calculated to injure the business or goodwill of another trader and which caused actual damage to a business or goodwill by whom the action is brought. From the evidence, the name 'Tee Yih Jia', the logo and get-up had become distinctive of the respondent's products and the use by the appellants was likely to deceive or cause deception to a potential buyer or customer of popiah skins.

(2) In an action for passing off, the damage is an essential element of the tort and it is necessary for the plaintiff to establish that he had suffered damage. However, like in this case, where the goods were in direct competition with one another, the court would readily infer the likelihood of damage to the respondent's goodwill through the loss of sale and loss of the exclusive use of his name. Here, the court was satisfied that passing off had been established by the respondent.

(3) When the parties entered into the agreement, they had in mind that there should be no restraint of fair competition. It would have been superfluous to refer to unfair competition which is in any case actionable. One could not equate unfair competition to the expression 'competition' used in cl 5 and contend that the appellants were therefore allowed to pass-off their trade or goods as that of the respondent by using the various badges of the respondent in trade including the get-up, the name and the logo. No businessman would intentionally enter into an agreement which would expose him to unfair trading and passing off actions.

Cases referred to

Pakai Industries Bhd v Chen Yew Industries Sdn Bhd [1991] 2 CLJ 1574 (refd)

Erven Warnink Besloten Vennootschap & Ors v Townend & Sons (Hull) Ltd & Ors [1979] AC 731; [1979] 2 All ER 927; [1979] 3 WLR 68 (folld)

Trollope & Colls v North West Metropolitan Regional Hospital Board [1973] 2 All ER 260; [1973] 1 WLR 601 (refd)

Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2) (1984) 156 CLR 414; 59 ALJR 77; 56 ALR 193 (refd)

Yew Wan Leong v Lai Kok Chye [1990] 2 MLJ 152 (refd)

Lee Ah Chor v Southern Bank Bhd [1991] 1 MLJ 428 (refd)

John Dickinson & Co v Apsley Press Ltd (1937) 157 LT 135; 54 RPC 219 (refd)

May v May (1914) 31 RPC 325 (refd)

Spalding & Bros v AW Gamage Ltd (1915) 84 LJ Ch 449; 32 RPC 273 (refd)

Miramar Maritime Corp v Holborn Trading; The Miramar [1984] AC 676; [1984] 2 All ER 326; [1984] 3 WLR 10 (refd) A

Antaios Compania Naviera SA v Salen Rederierna AB [1985] AC 191; [1984] 3 All ER 229; [1984] 3 WLR 592 (refd)

(4) (Per **Eusoff Chin SCJ** (dissenting)) With the insertion of the word 'fair' into cl 5, the word 'whatsoever' become redundant and meaningless. The word 'whatsoever' cannot be ignored by the court when construing or interpreting cl 5 because it qualifies the word 'competition'. Moreover, the law allows fair competition and no one commits the tort of passing off if it was based on fair competition. The law only prohibits unfair competition, such as using other people's trade names for his goods. Therefore, it was unnecessary to insert the clause 'there shall be no restraint of fair competition' because the law had already taken care of that. The parties must have intended what they agreed in cl 5 and the court should not interfere with the agreement. It is not the function of the court to improve the contract which the parties have negotiated and made for themselves however desirable the improvement might be. B C D

Case referred to

Trollope & Colls v North West Metropolitan Regional Hospital Board [1973] 2 All ER 260; [1973] 1 WLR 601 (refd) E

[Bahasa Malaysia summary

Perayu pertama dan beberapa orang yang lain telah memulakan suatu perniagaan menjual kulit popiah yang sangat berjaya di Singapura dalam tahun 1969 di bawah nama Tee Yih Jia Po Piah Dried Pastry Factory (Pte) Ltd ('responden'). Dalam tahun 1980, perayu pertama telah menjual kesemua sahamnya di dalam responden kepada Goi Seng Hui, satu-satunya pemegang saham yang lain di dalam responden pada masa itu, dan telah memulakan sebuah syarikat berhad di Malaysia ('perayu kedua'), dengan menggunakan nama, Tee Yih Jia Popiah Dried Pastry Factory (M) Sdn Bhd dan menggunakan logo yang sama dengan logo yang digunakan oleh responden. F G

Hakim Mahkamah Tinggi telah membuat keputusan bahawa, antara lain, terdapat kelirupaan oleh perayu kerana telah menggunakan: (1) nama dagang 'Tee Yih Jia'; (2) bungkusan yang sama atau hampir serupa dengan bungkusan responden; dan (3) logo 'swastika' yang terdapat pada sudut bawah bahagian kiri bungkusan itu. Perayu telah membuat rayuan. H

Isu yang tunggal adalah sama ada, dengan membentuk perayu kedua dan menjalankan perniagaan yang sama dengan menggunakan nama, logo dan bungkusan yang sama, perayu pertama telah melakukan kesalahan kelirupaan dan oleh itu mahkamah boleh memberi, antara lain, suatu injunksi untuk menahan perayu daripada meneruskan I

perbuatan kelirupaan yang dikatakan dan suatu perintah supaya perayu pertama memohon kepada Pendaftar Syarikat untuk meminda nama korporatnya dengan menyingkir perkataan 'Tee Yih Jia'.

Perayu juga telah berhujah bahawa walaupun unsur-unsur kelirupaan boleh dibuktikan terhadap mereka, kelirupaan itu dibenarkan di bawah fasal 5 dalam suatu perjanjian yang telah diikat di antara perayu dan Goi Seng Hui yang menyatakan bahawa tidak terdapat 'apa-apa pun penyekatan perniagaan atau persaingan yang dikenakan' ke atas perayu pertama.

Diputuskan oleh majoriti, menolak rayuan itu (Eusoff Chin HMA bertentangan):

(1) Bagi mewujudkan suatu kausa tindakan untuk kelirupaan, mesti terdapat suatu salah nyataan yang telah dibuat oleh peniaga di dalam perniagaan kepada bakal pelanggannya atau pengguna terakhir barang-barang atau perkhidmatan yang dibekalkan olehnya, yang dijangka akan merosakkan perniagaan atau nama baik peniaga yang lain dan yang telah menyebabkan kerosakan yang sebenar kepada perniagaan atau nama baik peniaga yang membawa tindakan itu. Daripada keterangan, nama 'Tee Yih Jia', logo dan bungkusan itu telah menjadi tersendiri kepada barang-barang keluaran responden dan kegunaannya oleh perayu mungkin akan memperdaya bakal pembeli atau pelanggan kulit popiah.

(2) Di dalam suatu tindakan untuk kelirupaan, kerosakan merupakan unsur yang paling penting di dalam tort itu dan adalah perlu untuk plaintiff menunjukkan bahawa beliau telah mengalami kerugian. Akan tetapi, di dalam kes seperti ini, di mana barang-barang itu bersaing secara langsung antara satu sama lain, mahkamah sedia membuat inferens bahawa terdapat kemungkinan besar nama baik responden akan dirosakkan oleh kehilangan jualan dan kehilangan kegunaan eksklusif namanya. Di dalam kes ini, mahkamah berpuas hati bahawa kelirupaan telah dibuktikan oleh responden.

(3) Apabila pihak-pihak mengikat perjanjian itu, mereka bermaksud supaya tidak terdapat sekatan persaingan yang adil. Adalah tidak diperlukan untuk merujuk kepada persaingan yang tidak adil kerana tindakan boleh dibawa di dalam keadaan sedemikian. Seseorang tidak boleh menyamakan persaingan yang tidak adil dengan perkataan 'persaingan' yang digunakan di dalam fasal 5 dan berhujah bahawa perayu, oleh yang demikian, akan dibenarkan menyamarkan perniagaan atau barang-barangnya sebagai perniagaan atau barang-barang responden dengan menggunakan beberapa tanda responden di dalam perniagaan yang termasuk bungkusan, nama dan logo. Seseorang ahli perniagaan tidak akan secara sengaja mengikat suatu perjanjian yang akan mendedahkan beliau kepada perniagaan yang tidak adil dan kepada tindakan kelirupaan.

(4) (Oleh **Eusoff Chin HMA** (menentang)) Dengan memasukkan perkataan 'adil' di dalam fasal 5, perkataan 'apa-apa pun' tidak diperlukan dan menjadi tidak bermakna. Mahkamah mesti mempertimbangkan perkataan 'apa-apa pun' apabila mentafsirkan fasal 5 kerana ia akan membataskan perkataan 'persaingan'. Lebih-lebih lagi, undang-undang membenarkan persaingan yang adil dan seseorang tidak akan melakukan tort kelirupaan jika ia berdasarkan persaingan yang adil. Undang-undang hanya akan melarang persaingan yang tidak adil, seperti menggunakan nama perniagaan orang lain untuk barang-barangnya. Oleh itu, adalah tidak perlu untuk memasukkan fasal 'tidak akan terdapat penyekatan perniagaan yang adil' kerana undang-undang telah membuat peruntukan untuk keadaan sedemikian. Kedua-dua pihak semestinya bertujuan seperti yang dipersetujui di dalam fasal 5 dan mahkamah tidak sepatutnya bercampur tangan dengan persetujuan itu. Tidak merupakan fungsi mahkamah untuk memperbaiki kontrak yang telah dirunding oleh dan yang telah dibuat oleh kedua-dua pihak walau bagaimana elokpun pembaikan itu.]

Notes

For cases on passing off actions, see 12 *Mallal's Digest* (4th Ed) paras 843–863.

For cases on the construction of the terms of a contract, see 3 *Mallal's Digest* (4th Ed) paras 973–1015.

Complete list of cases referred to

1 *Pakai Industries Bhd v Chen Yew Industries Sdn Bhd* [1991] 2 CLJ 1574

2 *Erven Warnink Besloten Vennootschap & Ors v Townend & Sons (Hull) Ltd & Ors* [1979] AC 731; [1979] 2 All ER 927; [1979] 3 WLR 68

3 *Trollope & Colls v North West Metropolitan Regional Hospital Board* [1973] 2 All ER 260; [1973] 1 WLR 601

4 *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)* (1984) 156 CLR 414; 59 ALJR 77; 56 ALR 193

5 *Yew Wan Leong v Lai Kok Chye* [1990] 2 MLJ 152

6 *Lee Ah Chor v Southern Bank Bhd* [1991] 1 MLJ 428

7 *John Dickinson & Co v Apsley Press Ltd* (1937) 157 LT 135; 54 RPC 219

8 *May v May* (1914) 31 RPC 325

9 *Spalding & Bros v A W Gamage Ltd* (1915) 84 LJ Ch 449; 32 RPC 273

10 *Miramar Maritime Corp v Holborn Trading; The Miramar* [1984] AC 676; [1984] 2 All ER 326; [1984] 3 WLR 10

11 *Antaios Compania Naviera SA v Salen Rederierna AB* [1985] AC 191; [1984] 3 All ER 229; [1984] 3 WLR 592

Legislation referred to
Contracts Act 1950 s 24

Appeal from: Civil Suit No C1305 of 1985 (High Court, Kuala Lumpur)

Low Hop Bing (*FH De Cruz* and *Low Kin Kong* with him) (*Low & Lee*) for the appellants.

Dato' VL Kandan (*Linda Wong* with him) (*Shearn Delamore & Co*) for the respondent.

Gunn Chit Tuan CJ (Malaya) (delivering the majority grounds of decision of the court): This was an appeal against the decision of the learned High Court judge, Abdul Malek J, given on 17 December 1992, after trial of the action in Kuala Lumpur High Court Civil Suit No C1305 of 1985. The learned judge had found, inter alia, that there was passing off by the appellants of their trade or business and/or popiah skins as and for that of the respondent by the use of:

(i) the trade name 'Tee Yih Jia' whether in Roman or Chinese characters;
(ii) a package get-up identical to or closely resembling the respondent's package get-up; and
(iii) the 'swastika' logo appearing at the bottom left-hand corner of the get-up.

The facts as found by the learned High Court judge

One Goi Seng Hui, the chairman and managing director of the respondent, and Seet Chuan Seng, the first appellant, had with a few others, launched the popiah (spring roll) skin business on 14 October 1969 in Singapore under the name 'Tee Yih Jia Po Piah Dried Pastry Factory (Pte) Ltd' and had successfully carried on business as manufacturers and sellers of popiah skins packed in various sizes of polythene wrappers. It was not disputed that their success was attributed to the fact that the popiah skins, square in shape, were for the first time made by machine and their unsurpassed durability had resulted in their overwhelming popularity. There was also no disagreement as to the fact that the first appellant had left and rejoined the respondent but had later started a limited company in the form of the second appellant in Malaysia.

The bone of contention between the parties was the trade name 'Tee Yih Jia' (hereinafter 'TYJ') which, translated from Chinese, means 'the first house', 'the first one', 'first grade', 'foremost' or 'pioneer'. Both parties had given evidence in the High Court that each of them had decided on the name first and had designed the relevant logo similar to the swastika symbol or four square popiah skins placed together, and had done the relevant get-up.

The issue

Although a number of issues were raised at the trial, there was according to the learned judge, and we agreed with him, only one issue, namely, whether the first appellant, by forming the second appellant in Malaysia and carrying on a similar business using the same name 'TYJ', logo and get-up, passing off had been established by the respondent to warrant the court granting the prayers asked for, namely, an injunction to restrain the appellants from continuing the alleged acts of passing off, and orders that the second appellant do forthwith apply to the Registrar of Companies to have its corporate name amended by the removal of the words 'TYJ' therefrom, for delivery up of all the offending goods, full discovery of all relevant documents, obliteration of all offending marks followed by due verification upon oath, an inquiry for assessment of damages for breach of contract, confidence and passing off, costs and such further and other relief as the court may deem just. We also agreed with the learned judge that the whole case in this suit also hinged upon the agreement made between the said Goi Seng Hui and the first appellant on 30 September 1980 and it is therefore necessary to set out hereunder in full the agreement minus its Sch A:

> This agreement is made on 30 September One Thousand Nine Hundred and Eighty (1980) between Seet Chuan Seng of No 8R, Block E, Amber Tower, Amber Road, Singapore (hereinafter called 'the vendor') of the one part and Goi Seng Hui of No 34, Farrer Road, Singapore, (hereinafter called 'the purchaser') of the other part.
>
> Whereas:
>
> (1) The vendor is the registered proprietor of 1,250 fully paid-up shares in the undertaking known as Tee Yih Jia Po Piah Dried Pastry (Pte) Ltd, a company incorporated in Singapore and having its registered office at No 14, Little Road, Singapore, (hereinafter called 'the company') of which the vendor is the managing director and the purchaser the chairman.
> (2) The parties herein have agreed that the vendor shall sell and the purchaser shall purchase all the vendor's said shares in the company upon the terms hereinafter set out.
>
> Now it is hereby agreed and declared as follows:
>
> (1) The vendor shall sell and the purchaser shall purchase all the said 1,250 shares in Tee Yih Jia Po Piah Dried Pastry (Pte) Ltd presently held by the vendor. The sale price shall be at Singapore Dollars Eight Hundred per share (S$800) and the total consideration shall be Singapore Dollars One Million (S$1,000,000).
> (2) Immediately upon signing of this agreement, the purchaser shall pay to the vendor's solicitors Messrs Tan, Kong & Co as stakeholders, the sum of Singapore Dollars Five Hundred Thousand (S$500,000) representing one-half of the purchase price.
> (3) Completion of the sale and purchase of the said shares shall take place at the office of Messrs Tan, Kong & Co on 29 December 1980 or earlier at purchaser's option. Time is of essence in this agreement.
> (4) On the date of completion, the full balance of S$500,000 shall be paid by the purchaser by way of a cashier's order drawn in favour of the vendor

against delivery to the purchaser or his solicitor of a deed of transfer duly executed by the vendor in favour of the purchaser in respect of the whole of the said shares accompanied by the share certificates relating thereto together with resignations of the vendor and his wife Tan Ah Yip from the board of the company. Should the purchaser fail to complete as aforesaid, the sum paid pursuant to cl (2) above shall be forfeited to the vendor.

(5) There shall be no restraint of trade or restraint of competition whatsoever imposed upon the vendor by virtue of the sale and purchase herein and the parties herein expressly agree that the vendor is at absolute liberty to engage, trade or be interested in any form of business whatsoever whether touching on the manufacturing or dealing of po piah dried pastry or otherwise.

(6) All trade debts of the company comprised in Sch A annexed hereto shall be settled by the company by payment to Messrs Wee Swee Teow & Co on their undertaking to pay to the creditors comprised in Sch A annexed hereto on the date of completion.

(7) The purchaser shall indemnify the vendor in respect of any liability arising out of any guarantee which the vendor shall already have executed to facilitate obtaining for the company loan and overdraft facilities.

(8) The vendor and the purchaser shall act as joint managing directors during the said period of three (3) months or thereabout prior to the conclusion of the sale and purchase and shall co-operate in the management of the company and carry out duties and functions reasonably expected of them provided that these duties shall not extend to giving any personal guarantee of any kind.

(9) The parties herein agree to cause the appointment of the purchaser as joint managing director as soon as payment by the purchaser pursuant to cl (2) has been received and cleared. Documents requiring the signature of the managing director shall be signed jointly by both vendor and purchaser during this said interim period pending completion.

(10) The sale of shares is strictly to the purchaser directly and this agreement and the rights therein shall not be assignable to the purchaser's nominee prior to completion thereof.

(11) The vendor hereby warrants that to the best of his knowledge the only existing substantial unsettled purchase contracts made by him on behalf of the company, apart from those disclosed in Sch A are as follows:

Wing Engineering (Pte) Ltd	$ 5,000
Kah Motor Co Sdn Bhd	$28,394
Lim Co Book Manufacture	$12,375
	$45,769

(12) This agreement shall be construed and take effect according to the laws of the Republic of Singapore.

In witness whereof the parties have hereunder set their hands and seals the day and year first above written.

Signed sealed and delivered by Seet Chuan Seng in the presence of:	)))	Richard Kong Advocate and solicitor Singapore
Signed sealed and delivered by Goi Seng Hui in the presence of:	)))	Huang Lui Advocate and solicitor Singapore

Submissions of both parties

Mr Low Hop Bing, senior counsel for the appellants, cited *Pakai Industries Bhd v Chen Yew Industries Sdn Bhd*[1] in which case, Zakaria Yatim J had referred to *Erven Warnink Besloten Vennootschap & Ors v Townend & Sons (Hull) Ltd & Ors*.[2]

In that case, Lord Diplock pointed out that it is possible to identify the following five characteristics which must be present in order to create a valid cause of action for passing off:

(1) a misrepresentation;
(2) made by a trader in the course of trade;
(3) to prospective customers of his or ultimate consumers of goods or services supplied by him;
(4) which is calculated to injure the business or goodwill of another trader, (in the sense that this is a reasonably foreseeable consequence); and
(5) which causes actual damage to a business or goodwill by whom the action is brought.

Counsel for the appellants submitted that characteristics (1) to (3) above referred to the trading activities of a trader, whilst characteristics (4) and (5) referred to the issues of competition where one trader has set up in competition with another trader. It was contended by the appellants that the learned trial judge had erred in that although there was representation by the appellants by their use of the package, get-up and logo and the name TYJ, that representation did not amount to such misrepresentation necessary for a successful action in passing off. Alternatively, it was further contended that even if all the elements of passing off have been made out, passing off by the appellants was allowed by cl 5 of the above-quoted agreement.

On misrepresentation, learned counsel for the appellants contended that the respondent was not using the get-up shown in the statement of claim. It was stated that that was the get-up used by the respondent in 1984 and that at the time of the issue of the writ, it was not, so the appellants claimed, being passed off. It was strongly argued for the appellants that the respondent had therefore abandoned and had no exclusive rights to the get-up as shown in its statement of claim.

Next, it was contended for the appellants that the respondent could not claim exclusive rights to the name TYJ as those words, meaning 'first house' in Chinese, are words which are commonly used and moreover those words have been in use since the Tang Dynasty. In Roman alphabet, the name TYJ has no specific meaning. It is simply a name. It was not disputed that in Chinese, those words mean 'first house' or 'first one'.

As regards cl 5 of the agreement dated 30 September 1980, it was the submission of counsel for the appellants that even if the elements of passing off had been established against them, such passing off would be permissible and not actionable by the respondent as cl 5 of the said agreement allowed for such acts by the appellants. On the main dispute as to the meaning and interpretation of the words 'no restraint of competition whatsoever' learned counsel for the appellants cited *Trollope & Colls v North West Metropolitan Regional Hospital Board*[3] and contended that in interpreting cl 5, the phrase

'no restraint of competition whatsoever' must be given the wide meaning which the words imply, namely, allowing any form of competition whatsoever with the respondent, including the right to use and trade under the same name TYJ, the swastika logo and to use the package get-up referred to in the statement of claim.

Counsel for the appellants then referred to *The Law of Passing-off* by Christopher Wadlow at p 23 thereof where the following portion of the judgment of Deane J in *Moorgate Tobacco Co Ltd v Philip Morris Ltd (No 2)*[4] was reproduced:

> The phrase 'unfair competition' has been used in the judgments and learned writings in at least three distinct ways, namely: (i) as a synonym of the doctrine of passing off; (ii) as a generic name to cover the wide range of legal and equitable causes of action available to protect a trader against the unlawful trading activities of a competitor; and (iii) to describe what is claimed to be a new and general cause of action which protects a trader against damage caused either by 'unfair competition' generally or, more particularly, by the 'misappropriation' of knowledge or information in which he has a quasi-proprietary right.

Learned counsel for the appellants then sought to equate the reference to 'competition' in cl 5 to passing off or synonymous therewith, and, on construing cl 5 in that sense, he contended that it would read that there shall be no restraint of trade or passing off imposed upon the first appellant. In effect it was the submission of counsel for the appellants that 'competition whatsoever' in cl 5 is wide enough to include both fair and unfair competition and thus the appellants are allowed to pass-off as against the respondent.

As regard the contention of the appellants that the respondent had no exclusive rights or had abandoned the get-up set out in the statement of claim, reference was made by Dato' Kandan, senior counsel for the respondent, to Kerly's *Law of Trade Marks and Trade Names* (12th Ed) at p 185:

> The adoption of a new [trade] mark for goods previously sold under an old mark may be evidence of the abandonment of the old one. But the fact of itself is not conclusive; it is no justification for the defendant to say, 'The plaintiff has two ways of identifying his goods, and I have only stolen one of them.' Many businesses nowadays keep a 'stockpile' of marks, ready registered for eventual use; and marks whose use is discontinued for one line of goods may well be returned to stock.

Thus it was contended by the respondent that the adoption of a new mark by the respondent may be evidence of abandonment but that fact by itself is not conclusive. It was also repeatedly stressed by counsel that although the package get-up was upgraded several times, two features remained consistent and were present in all the respondent's package get-up used, namely, the name TYJ, in both Chinese and Roman characters, and the swastika logo. It was contended that there could not therefore have been abandonment of such features of the package get-up by the respondent. In any case, it was pointed out that the abandonment by the respondent or the respondent's loss of exclusive rights to the get-up shown in the statement of claim by reason of its use of other package get-up were non-issues at the proceedings before the High Court as these matters were never mentioned

by the appellants in their pleadings. Counsel pointed out where a vital issue was not raised in the pleadings, it could not be allowed to be argued to succeed on appeal. Dato' Kandan also pointed out that no attempts were made by the appellants to have their amended statement of defence further amended. On this point, he relied on the Supreme Court cases of *Yew Wan Leong v Lai Kok Chye*[5] and *Lee Ah Chor v Southern Bank Bhd.*[6]

Counsel for the respondent then pointed out that it was found by the learned trial judge that through evidence of use and association established at the trial, the name TYJ, whether in Roman alphabet or in Chinese characters, had become distinctive and referable exclusively to the respondent in relation to popiah skins. He pointed out that a business may lawfully adopt and operate under any name which is unappropriated for businesses of the same kind, and when the name had become identifiable with the business by repute, it is as well entitled to protection for that name as for its own. Reference was made by counsel to *John Dickinson & Co v Apsley Press Ltd*[7] where the plaintiffs were carrying on business at Apsley Mills and were known as 'Apsley'. It was held by the Chancery Division that the plaintiffs were entitled to protect the name for its own, even though 'Apsley' was also commonly used in reference to the place itself.

It was also pointed out by counsel that by the time the second appellant was incorporated on 24 January 1981, the respondent had just effected a change of name (in November 1980) from 'Tee Yih Jia Po Piah Dried Pastry Factory Pte Ltd' to 'Tee Yih Jia Food Manufacturing Pte Ltd'. However, it was only the descriptive part of the respondent's name of 'Po Piah Dried Pastry Factory' that was altered to become ' Food Manufacturing Pte Ltd'. The distinctive part of the respondent's name, TYJ, was retained and continued to be used at all times and it was contended that the use of the name TYJ by the appellants was calculated to lead the trade and the public to the belief that the second appellant is an agency, branch or somehow associated with the respondent. It was contended that there was therefore a misrepresentation for which the respondent was entitled to reliefs as against the appellants for passing off.

As regards the second part of the appellants' arguments that even if the elements of passing off had been established against the appellants, such passing off was permissible and not actionable as cl 5 of the agreement dated 30 September 1980 allowed such acts by the appellants, counsel for the respondent contended that the passage from Christopher Wadlow's book on *The Law of Passing-off*, quoted above, referred to 'unfair competition' and not merely 'competition'. Fair competition in trade is allowed and legitimate. Unfair competition, however, is actionable and counsel contended that it was improper to equate the meaning attributed to 'unfair competition' as that for 'competition' and say that cl 5 of the agreement allowed the appellants to pass-off their trade and/or goods as that for the respondent by using the various badges of the respondent in trade including the get-up, the name TYJ and the swastika logo. Counsel then submitted that the whole basis for an action based on passing off is so that the public would not be deceived or misled as to the make, origin or type of goods which they are buying and to allow a trader to seek protection against damage to its

A reputation and goodwill by reason of unfair competition. Counsel pointed out that if cl 5 was read in such manner as would allow for passing off, the court would in effect be allowing deception to be practised on the public as to the source or origin of the goods and urged the court not to accept the interpretation as correct as proposed by the appellants.

B It was also the contention of Dato' Kandan that if cl 5 of the agreement was interpreted, as contended by learned counsel for the appellants, to allow passing off, then that would bring the agreement within s 24 of the Contracts Act 1950 which would render the agreement void. Section 24 of the Contracts Act 1950 provides as follows:

C

> The consideration or object of an agreement is lawful, unless —
>
> (a) it is forbidden by a law;
> (b) it is of such a nature that, if permitted, it would defeat any law;
> (c) it is fraudulent;
> (d) it involves or implies injury to the person or property of another; or
> (e) the court regards it as immoral, or opposed to public policy.

D

> In each of the above cases, the consideration or object of an agreement is said to be unlawful. Every agreement of which the object or consideration is unlawful is void.

It was argued that if the agreement is void and it is accepted that the acts of the appellants amounted to misrepresentation and passing off, then the E finding of the learned trial judge should be confirmed and upheld. It was therefore the contention of the respondent that the interpretation to be given to cl 5 of the agreement as canvassed for the appellants should not be accepted as it would in effect make the agreement one which allows the commission of a tort (passing off) otherwise unlawful and contrary to F public policy.

Counsel for the respondent also cited *May v May*[8] as authority for the principle that the vendor of a business must do nothing after the sale which is calculated to suggest that he is still carrying on the old business or to be associated therewith. Counsel also pointed out that there was no agreement for the sale of the goodwill for the respondent company to the appellants, G whether in the business or that relating to the TYJ name or logo. He pointed out that they only vested in the respondent and in the absence of express agreement, the appellants do not get a 'blank cheque' to trade under the same name as the respondent or to use the logo or any of the respondent's get-up or trade mark at will.

H

Passing off

The principle of law regarding passing off has been plainly stated by Lord Parker in *Spalding v Gamage*[9] 'and that is, that nobody has any right to represent his goods as the goods of somebody else'. It is therefore wrong for I a trader to conduct his business as to lead to the belief that his goods or business are the business of another. For an authority on passing off, we could do no better than to quote the words of Lord Diplock in the leading speech in *Erven Warnink v Townend & Sons (Hull) Ltd*[2] [at p 742]:

> My Lords, *AG Spalding & Bros v AW Gamage Ltd* 84 LJ Ch 449 and the later cases make it possible to identify five characteristics which must be present in order to create a valid cause of action for passing off: (1) a misrepresentation; (2) made by a trader in the course of trade; (3) to prospective customers of his or ultimate consumers of goods or services supplied by him; (4) which is calculated to injure the business or goodwill of another trader (in the sense that this is a reasonably foreseeable consequence); and (5) which causes actual damage to a business or goodwill of the trader by whom the action is brought or (in a quia timet action) will probably do so.

We would also refer to and quote the following test proposed by Lord Fraser in the same case [at p 755]:

> It is essential for the plaintiff in a passing off action to show at least the following facts: (1) that his business consists of, or includes, selling in England a class of goods to which the particular trade name applies; (2) that the class of goods is clearly defined, and that in the minds of the public, or a section of the public, in England, the trade name distinguishes that class from other similar goods; (3) that because of the reputation of the goods, there is goodwill attached to the name; (4) that he, the plaintiff, as a member of the class of those who sell the goods, is the owner of goodwill in England which is of substantial value; (5) that he has suffered, or is really likely to suffer, substantial damage to his property in the goodwill by reason of the defendants selling goods which are falsely described by the trade name to which the goodwill is attached.

In this case, it was admitted that there was representation by the appellants by their use of the package, get-up and logo and TYJ name but that the representation did not amount to such misrepresentation necessary for a successful action in passing off. Whether a representation, express or implied, is a misrepresentation is a question of fact and we agreed with the learned judge in his finding of fact that to a potential buyer or customer of popiah skins, discerning or otherwise, the use by the appellants of the name TYJ accompanied by the relevant logo and get-up not dissimilar and almost resembling the respondent's products did certainly tend to confuse and the resultant effect would be that the appellants' products could easily be passed off as that of the respondent. Like the learned judge, we were also satisfied from the evidence that the name TYJ, the logo and the get-up had become distinctive of the respondent's products and the use by the appellants was certainly likely to deceive or cause deception. It was not disputed that the appellants were selling popiah skins in this country. It was a fact that there is a likelihood of diversion of customers from the respondent to the appellants which would result in loss to the respondent in view of the similarity in name, logo and get-up and type of product dealt with by both parties.

In an action for passing off, damage is also an essential element of the tort and it is necessary for the plaintiff to establish that he has suffered damage. However, if the goods in question, as in this case, are in direct competition with one another, the court will readily infer the likelihood of damage to the plaintiff's goodwill through loss of sales and loss of the exclusive use of his name.

A As we were also satisfied on the facts of this case that passing off had been established by the respondent, we would confirm the judgment of the learned judge made on 17 December 1992.

Construction of cl 5 of the agreement

B Finally, as regard the second part of the appellants' contention that even if the elements of passing off had been established against the appellants, such passing off is permissible under cl 5 of the said agreement, like the learned judge, we were also satisfied after perusal of the appeal records that passing off had been established against the appellants. When we consider the tort of passing off we should have in mind the terms 'unfair competition' or C 'unfair trading'. Any one reading the agreement and the reference in cl 5 to the term 'competition' would, in our view, have had in his mind fair competition in businesses. Christopher Wadlow in his book on *The Law of Passing-off* pointed out that Lord Diplock in *Erven Warninck*'s case[2] had related passing off to a wider concept of unfair trading. He said:

D

> Unfair trading as a wrong actionable at the suit of other traders who thereby suffer loss of business or goodwill may take a variety of forms, to some of which separate labels have become attached in English law. Conspiracy to injure a person in his trade or business is one, slander of goods another, but the most protean is that which is generally and nowadays, perhaps misleadingly, described as passing off. The forms that unfair trading takes will alter with the ways in E which trade is carried on and business reputation and goodwill acquired.

Therefore, when the parties entered into the said agreement, they had in mind that there should be no restraint of fair competition. It would have been superfluous to have referred to unfair competition which is in any case actionable and we agreed with the learned counsel for the respondent that F one could not equate unfair competition to the expression 'competition' used in cl 5 of the agreement and contend that the appellants were therefore allowed to pass-off their trade or goods as that for the respondent by using the various badges of the respondent in trade including the get-up, the name TYJ and the swastika logo.

G Moreover, in construing this agreement made between two traders or businessmen, we would be inclined to use a rule of interpretation described as 'the good commercial sense principle' as formulated by Lord Diplock in *Miramar Maritime Corp v Holborn Trading; The Miramar.*[10] In that case, a bill of lading contained a clause providing that 'all the terms whatsoever' of the charter under which the shipment was carried 'except the rate and H payment of freight specified therein apply to and govern the rights of the parties concerned in this shipment'. One of the terms of the charter required a charterer to pay demurrage. The owners of the vessel tried to recover the demurrage from the consignees of the cargo, as holders of the bill of lading, on the basis that the demurrage clause in the charter had been incorporated I into the bill of lading, but with the implied substitution of references to a consignee under a bill of lading in respect of the cargo for references to the charterer. Lord Diplock drew attention to the extent of the liability which

a consignee might incur if it were held that the demurrage clause in the charter had been incorporated into the bill of lading. His Lordship said [at pp 682 and 685]:

> There must be ascribed to the words a meaning that would make good commercial sense if the Exxonvoy bill of lading were issued in *any* of these situations, and not some meaning that imposed upon a transferee to whom the bill of lading for goods afloat was negotiated, a financial liability of unknown extent that no businessman in his senses would be willing to incur.
>
> ...
>
> My Lords, I venture to assert that no businessman who had not taken leave of his senses would intentionally enter into a contract which exposed him to a potential liability of this kind; and this, in itself, I find to be an overwhelming reason for not indulging in verbal manipulation of the actual contractual words used in the charterparty so as to give to them this effect when they are treated as incorporated in the bill of lading. (Emphasis provided.)

In this case, we would also assert that no businessman, who had not taken leave of his senses, would intentionally enter into an agreement which exposed him to unfair trading and the kind which is actionable in a passing off action. We would also adopt the same reasoning to say that we should not manipulate the contractual word 'competition' used in cl 5 to say that the appellants cannot be restrained from unfair competition. We would also quote and adopt the following words of Lord Diplock in yet another recent case of *Antaios Compania Naviera SA v Salen Rederierna AB*:[11]

> ... if detailed semantic and syntactical analysis of words in a commercial contract is going to lead to a conclusion that flouts business common sense, it must be made to yield to business common sense.

Decision

Therefore, for the reasons stated above, we, by a majority of two to one (with Eusoff Chin SCJ, dissenting), decided that the appeal should be dismissed with costs here and below.

Eusoff Chin SCJ (delivering the dissenting judgment): The learned trial judge had correctly held when he said in his judgment:

> In my view, the whole case hinges upon the agreement made between Goi Seng Hui (PW1) and the first defendant on 30 September 1980 (hereinafter referred to as 'the relevant agreement') and, to get its full impact, it is appropriate and necessary to set it out in full in its original form minus its Sch A:

And he set out the agreement. He went on to say in his judgment:

> Of particular importance is cl 5 which forms the basis of the suit before me. My interpretation of it is that the first defendant is not prohibited from carrying on the business of manufacturing or dealing in popiah skins but he is certainly not entitled to use the name TYJ, logo and get up especially so after the plaintiffs had acquired a substantial reputation and goodwill in respect of the said name, logo and get-up in this region.

A But the learned judge, upon examining all the authorities cited by the parties to him, concluded that 'it is trite law that each case would certainly depend on the facts of each particular case'. He however, did not set out in detail the full facts leading to the signing of the agreement dated 30 September 1980. I now set out the facts as found in the record of appeal before us.

B Before 1965, the first defendant (Seet Chuan Seng) was a mechanic repairing machinery.

In 1965, the first defendant was running a provision shop called Cheng Thye. He gave up this business and started a popiah skin business with three other persons, one of whom was Chng Kay Chuan, PW4. The popiah C business was named International Popiah Factory. Popiah skins then were made manually or by hand. In 1966, the factory started to use a machine to make the popiah skins. According to the first defendant, he alone designed the machine; that he bought the metals and sent them to the foundry to make the machine. This is not difficult to believe since as a mechanic, he was quite familiar with the workings of machines. He claimed that his three D partners were sleeping partners because they were concentrating on their own other businesses, ie two were running sundry shops and one was running a transport business.

In 1966 too, the name of the factory was changed to Tee Yih Jia Popiah Factory. The word 'Tee Yih Jia' in Chinese means 'the first one' or E 'pioneer'. The first defendant said the name was appropriate as his factory was the first one to use a machine to make popiah skins.

In 1967, the partnership was increased to 11 persons, including Tay Ah Seng (PW2). In 1969, the name of the factory was again changed to Tee Yih Jia Dried Pastry Factory Pte Ltd, with 25 shareholders. Up to that time, Goi Seng Hui (PW1) was not involved in this factory.

F It was in 1977 that Goi Seng Hui (PW1) bought the shares from the 25 shareholders. At first, the first defendant refused to sell his shares as the factory was making profits, but he was persuaded by PW1 to sell his shares to him (PW1) on the promise that he would be made a director and managing director of the company. The first defendant sold his share to G PW1 on 11 July 1977, and on 18 November 1977 he was made the managing director and a director of the company. In April 1979, PW1 gave 50% of the shares in the company back to the first defendant, and PW1 and the defendant became the only shareholders of the company.

Differences and misunderstanding arose between PW1 and the first defendant. PW1 when giving evidence for the respondent, said that the first H defendant was trying to control the company. PW1 further said that the first defendant was in charge of management and marketing while he (PW1) was the chairman of the company. But the first defendant refused to accept PW1's views and opinions. In any event, owing to the differences, they could not get along well. The company was then worth about S$4m, I and was making good profits. Both PW1 and the first defendant went many times to consult their accountant, Hee Lee Seng (PW3) who advised them to forget their differences, and to concentrate on their business. As time passed, it was evident that both PW1 and the first defendant could not get

on well with each other. PW3 advised them that one of them should buy out the other. They agreed. They had a final meeting at PW3's office on 7 July 1980, and it was agreed that PW1 should buy the first defendant's shares in the company. They worked out the terms of the sale and purchase agreement. Both PW1 and the first defendant engaged solicitors to help them to settle the terms of the agreement. Two and a half months later, on 30 September 1980, PW1 and the first defendant signed the agreement, witnessed by their solicitors.

The first defendant said that in 1966, after inventing the machine, he 'had invented the words "Tee Yih Jia"' because that was the first time a factory ever made popiah skins by machine instead of manually.

PW1 claimed that he invented and designed the logo and pictures on the popiah wrapper, but did not explain to the court how or where he got the idea from. The first defendant, too, claimed he was the person who designed the logo and pictures on the popiah wrapper. But the first defendant explained in detail how or where he got the idea from in 1969. He said in evidence that the logo which looked like the German swastika was in fact a sign normally found in the vegetarian hall of a Chinese Buddhist temple. It is a sign of smoothness. He had chosen this sign as the logo because initially his customers were mainly from the Chinese temples. Further, the popiah skins did not contain any meat as it was made from flour, salt, oil and water.

As regard the pictures or get-up on the popiah wrapper, he had designed it by arranging popiahs and vegetables on a square popiah skin, as depicted on the wrapper, and then took photographs of the arrangements.

Under the circumstances, it is most probable that the first defendant was the inventor of the logo, the get-up and the name 'Tee Yih Jia'.

As the inventor of the logo and the design appearing on the popiah wrapper, and the inventor of words 'Tee Yih Jia' for the company, he was not prepared to part with them when he sold his 50% shares in the company to PW1. He said in evidence that he had agreed to sell his 50% shares to PW1 only if he could keep his right to the name (Tee Yih Jia), the logo and the get-up on the popiah wrapper. The company was then in Singapore. His intention after selling his 50% shares to PW1, was to open a company in Malaysia and to continue making popiah skins.

The evidence shows that after he sold his 50% shares to PW1, the first defendant came to Malaysia, and continued to manufacture popiah skins and naming his company Tee Yih Jia Popiah Dried Pastry Factory (M) Sdn Bhd, and continued to use the logo and wrapper he had invented.

With these facts in mind, I will now look into the terms of cl 5 of the agreement dated 30 September 1980, and which agreement had been concluded only after lengthy negotiations of about two and a half months culminating in the first defendant agreeing to sell his 50% shares to PW1. It must also be borne in mind that both parties to the agreement consulted and engaged solicitors to vet and finalize the agreement.

Clause 5 of the agreement states:

> There shall be no restraint of trade or restraint of competition *whatsoever* imposed upon the vendor by virtue of the sale and purchase herein and the parties herein expressly agree that the vendor is at absolute liberty to engage, trade or be

A interested in any form of business whatsoever whether touching on the manufacturing or dealing of po piah dried pastry or otherwise. (Emphasis added.)

By the first part of this cl 5, the parties had agreed that:

(i) there shall be no restraint of trade *whatsoever*; and
(ii) there shall be no restraint of competition *whatsoever*;

B imposed on the vendor (who is the first defendant) by virtue of the sale and purchase agreement herein.

The learned Chief Justice and my learned colleague, Wan Yahya SCJ, when dismissing this appeal, were of the view that the words 'There shall be no restraint of competition whatsoever imposed on the vendor' in cl 5 of the C agreement should be read to mean 'there shall be no restraint of *fair* competition whatsoever imposed on the vendor'. With regret, I am unable to agree with their views. Firstly, with the insertion of the word 'fair', the word 'whatsoever' will become redundant and meaningless. Secondly, the law allows fair competition and no one commits the tort of passing off if it D is based on fair competition. The law only prohibits unfair competition, such as using other people's trade names for his goods. In other words, it is unnecessary to insert the clause 'there shall be no restraint of *fair* competition' because the law already takes care of that. The parties therefore must have intended what they agreed in cl 5, and the court should not interfere with this agreement.

E The situation here is completely different from the cases cited, as supported by the peculiar facts of this case leading to the formulation of the terms and conditions agreed upon by the parties. After consulting their accountant and accepting the accountant's advice that one should buy out the other, both PW1 and the first defendant consulted their own solicitors. F It took them two and a half months to negotiate, to vet and to agree on the terms and conditions of the sale of the 50% shares owned by the first defendant to PW1. This shows that the agreement was not done in a hurry and drafting mistakes must be ruled out.

If, therefore, the parties had intended that there should be restraint of unfair competition to be imposed on the first defendant, surely the solicitors G would have so worded cl 5 of the agreement as to reflect the true intention of the parties. But PW1 had chosen not to impose on the vendor (first defendant) any restraint of competition whatsoever. The word 'whatsoever' cannot be ignored by the court when construing or interpreting cl 5 because it qualifies the word 'competition'. It shows clearly that the intention of H PW1 (the purchaser) was not to impose on the first defendant (the vendor) any restraint of competition, be it fair or unfair competition. It is not difficult to see why this is so. The facts evidently show that the bitter relationship between PW1 and the first defendant had come to the stage where PW1 could no longer tolerate the presence of the first defendant. PW1 therefore, admitted in evidence that he was ready to sell his share or I to buy the first defendant's share in the company. But from the facts, one thing was certain. Both of them could not exist in the same company.

The evidence also shows that the first defendant was reluctant to leave the company. So he asked for an exorbitant price for his shares. PW1 in his

evidence confirmed that the price was exorbitant, but he nevertheless agreed to it. It is not difficult to deduce from the facts that PW1's state of mind then was such that he was prepared to concede to the demand made by the first defendant so long as he could rid himself of the first defendant who, on the other hand, was willing to leave the company and set up a new company in Malaysia on the condition that he be allowed to retain his rights to the use of the name 'Tee Yih Jia', the use of the temple logo and the get-up on the popiah wrapper, all of which he had claimed to belong to him because he had either devised, designed or invented them.

So, it was on those terms that the first defendant had agreed to sell his share to PW1 and leave the company. Clause 5 of the agreement dated 30 September 1980 therefore, was drawn up and agreed to by both parties to reflect their true intention. It is worded in plain and clear language. It contains no ambiguity or uncertainty. The court should not read into this cl 5 something else which is not there. By interpreting cl 5 to mean that unfair competition is to be excluded, or only fair competition is to be allowed, the court is in fact, inserting new terms into the agreement. It is not the function of the court to make the contract for the contracting parties. It is also not the function of the court to improve the contract which the parties have negotiated and made for themselves, however desirable the improvement might be. In *Trollope & Colls Ltd v North West Metropolitan Regional Hospital Board*,[3] the House of Lords held that an unexpressed term could only be implied if the court found that the parties must have intended that term to form part of their contract. Lord Pearson in that case said, at p 268:

> The court's function is to interpret and apply the contract which the parties have made for themselves. If the express terms are perfectly clear and free from ambiguity, *there is no choice* to be made between different possible meanings: *the clear terms must be applied* even if the court thinks some other terms would have been more suitable. An unexpressed term can be implied if *and only if* the court finds that the parties must have intended that term to form part of their contract: it is not enough for the court to find that such a term would have been adopted by the parties as reasonable men if it had been suggested to them: it must have been a term that went without saying, a term necessary to give business efficiency to the contract, a term which, although tacit, formed part of the contract which the parties made for themselves. (Emphasis added.)

For the reasons given, I would construe cl 5 of the agreement dated 30 September 1980 to mean what it clearly says, ie that the first defendant who had formed the second defendant (company) cannot be restrained from using the words 'Tee Yih Jia' or using the logo and get-up complained of, since PW1 who became the sole owner of the plaintiff had, by the agreement, expressly given his consent for their use.

I would, therefore, allow this appeal with costs.

Appeal dismissed.

Reported by Prof Ahmad Ibrahim